

Message Text

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ACTION IO-14

INFO OCT-01 NEA-11 ISO-00 TRSE-00 SR-02 ORM-03 AID-20

OMB-01 ABF-01 DRC-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 /132 W
----- 088895

R 191440Z FEB 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 6532

INFO AMEMBASSY AMMAN

AMCONSUL JERUSALEM

AMEMBASSY TEL AVIV

USMISSION USUN NEW YORK

USINT DAMASCUS

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E.O. 11652: N/A

TAGS: EAID SREF UNRWA XF

SUBJECT: UNRWA FINANCES

REF: STATE 32124 (NOTAL)

1. OUR ASSESSMENT OF CURRENT CRITICAL STATE OF UNRWA'S FINANCES REMAINS AS REPORTED OUR 923. ALTHOUGH PROSPECT OF RECEIVING AS MUCH AS DOLS 5 MILLION IN EARLY EEC CONTRIBUTION FOR EDUCATION HAS BECOME BRIGHTER IN RECENT WEEKS (PARA 2, BEIRUT 1699), THIS WOULD NOT OF IT-SELF ENABLE AGENCY SURVIVE 1974 WITHOUT IMPOSING MAJOR CUTBACKS ON REFUGEE SERVICES, INCLUDING PREPARATORY EDUCATIONAL PROGRAM. MOREOVER, AS DEPT AWARE, UNRWA OFFICIALS HAVE BEEN INCREASINGLY ALARMED AT PARLOUS STATE OF AGENCY'S CASH POSITION, TO POINT WHERE THEY NOW APPEALING FOR EARLIEST POSSIBLE PAYMENT OF CONTRIBUTIONS PLEDGED BY USG AND OTHER DONORS. THIS SITUATION LIKELY TO RECUR

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IN AGGRAVATED FORM IN NEXT TWO MONTHS. OUR CONCLUSION

IS THAT NO ONE IS CRYING "WOLF" WHEN HE PREDICTS FAILURE TO RESOLVE UNRWA'S FINANCIAL CRISIS WILL NECESSITATE SHARP REDUCTIONS IN SERVICES TO REFUGEES IN NEAR FUTURE.

2. OUR ASSESSMENT OF LOCAL AND AREA CONSEQUENCES LIKELY TO SPRING FROM SUCH REDUCTIONS REMAINS AS OUTLINED OUR 1506. WHILE WE HAVE LONG CHERISHED THE NOTION THAT ADVANTAGE SHOULD BE TAKEN OF UNRWA'S FINANCIAL PROBLEMS TO FORCE AGENCY OUT OF "WELFARE BUSINESS" (I.E., RATIONS DISTRIBUTION), AGENCY'S PRESENT DILEMMA CLEARLY WOULD GO FAR BEYOND THAT OBJECTIVE AND ADVERSELY AFFECT OTHER, MORE VALUABLE ASPECTS OF ITS OPERATIONS, ESPECIALLY EDUCATION. MORE IMPORTANT, HOWEVER, IS OUR FEAR THAT SUCH DEVELOPMENTS--COMING AT TIME WHEN ME SETTLEMENT EFFORTS APPEAR PROPITIOUS--COULD SERIOUSLY IMPEDE THOSE EFFORTS.

3. AS NOTED PARA 4 BEIRUT 923, COMGEN RENNIE IS DETERMINED TO INAUGURATE CUTBACK PROCESS AS EARLY AS APRIL IF NO ADDITIONAL ASSISTANCE IS RECEIVED BY END OF MARCH. (RECEIPT OF HOPED-FOR EEC CONTRIBUTION WOULD PROBABLY DELAY THIS BY MONTH OR TWO.) AS FOR MAGNITUDE OF TOTAL FINANCIAL RELIEF REQUIRED, WE BELIEVE ABSOLUTE MINIMUM WOULD BE DOLS 15 MILLION (ALLOWING FOR FURTHER ANTICIPATED INFLATIONARY PRESSURES ON AGENCY'S 1974 BUDGET). HOWEVER, UNRWA COULD CERTAINLY MAKE GOOD USE OF MORE TO UNDERTAKE LONG-DELAYED EDUCATIONAL IMPROVEMENTS, INCREASE ITS SHRUNKEN WORKING CAPITAL, AND GENERALLY REORDER ITS FINANCIAL HOUSE AFTER DECADE (EXCEPT FOR 1967) OF DEFICIT FINANCING.

DECON 2/19/75.
HOUGHTON

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